

EXHIBIT D



02-1671
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Okemos, Michigan 48805-0150

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JUL 25, 2002

PROPERTY-CASUALTY

Mr. William G. Radar
Assistant Commissioner
State of New Jersey
Department of Banking and Insurance
P.O. Box 325
Trenton, NJ 08625-0325

RE: ProNational Insurance Company
Rate Modification - Final Filing
DoctorCare Rates and Rules Effective September 1, 2002

Dear Mr. Radar:

Enclosed please find for final filing a rate filing for ProNational. An Explanatory Memorandum prepared by ProNational's independent actuary is attached for your convenience.

Also, the enclosed underwriting manual has been reformatted to accommodate a new computer system which the company will switch to later this year. In substance, the rules are essentially the same, however, the layout and format of the manual has changed. We have added a new rule which will allow us to write replacement coverage in the event coverage previously purchased through another carrier has failed.

Our intent is to convert to 100% claims-made in New Jersey beginning September 1, 2002. As insureds' policies come up for renewal, formal non-renewal notices will be issued along with a claims-made solicitation. Further, we also anticipate a forms change effective September 1, 2002 in conjunction with our new computer system. A forms and rules filing is being made under separate cover.

We are requesting a September 1, 2002 effective date for this rate filing and would appreciate the Department's prompt attention to this filing.

Please feel free to contact me if there are any issues regarding this filing at 1-800-282-6242, ext. 4422.

Thank you for your assistance in this matter.

Sincerely,

Kathryn A. Neville

Legal Counsel

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF PROPERTY/CASUALTY
FILING SOURCE DOCUMENT

9. Does this filing contain any provisions previously disapproved by the New Jersey Insurance Department? Yes ☐ No ☒

If yes, provide the New Jersey Department File # _____

10. Does this filing change Rates, Rules or Forms currently approved and on file with the New Jersey Insurance Department? Yes ☒ No ☐

If yes, provide the following: New Jersey Department File # 00-1986
Effective Date November 1, 2000

11. Is this filing identical to another submission filed for use in New Jersey by another carrier? Yes ☐ No ☒

If yes, provide the following: New Jersey Department File # _____
Company Name _____

12. Enter applicable Annual Statement Statutory Page 14 line of business number(s) for the line of insurance being filed. Line No. 11, Medical Malpractice

13. Does this filing have an impact on rates charged to insureds?

Yes ☒ No ☐

If yes, provide the following: Overall Percentage Change See Explanatory Memo
Dollar Impact _____
Number of exposures affected by change _____
How measured (# of drivers, policies, etc.) _____
Range of increase/decrease per Insured _____ %
Current and Proposed Statewide Average Premium _____
(For Homeowners show separately for owner and tenant forms)

AFFIDAVIT OF COMPLIANCE

The attached filing, to the best of my knowledge and belief, fully conforms to all pertinent State of New Jersey laws, and New Jersey Department of Banking and Insurance rules and requirements. The attached filing, to the best of my knowledge and belief, contains no provisions previously disapproved by the New Jersey Department of Banking and Insurance or its predecessors, except as specifically noted above.

Name (Please Print): LaQuita B. Goodwin

Signature: *LaQuita B. Goodwin*

Title: Compliance Specialist

Phone #: 800-282-6242, ext. 4426

Fax #: 205-414-2887

E-Mail Address: lgoodwin@proassurance.com

ProNational Insurance Company
Rates Effective September 1, 2002
New Jersey Health Care Providers
Explanatory Memorandum

ProNational Insurance Company is filing new Physicians' and Surgeons' Malpractice rates to be effective September 1, 2002. The company started writing business in New Jersey in 1999. ProNational has never written a book of business large enough to be credible for ratemaking purposes.

The rates we are filings will produce 7% more overall premium than do Princeton's Preferred rates, as measured on our December 31, 2001 in-force book of business. ProNational is adopting the specialty class rating relativities from its Model countrywide class plan.

Overall Rates and Specialty Relativities

Using ProNational's Model specialty rating relativities, the company selected a base rate (for a class 80420 Physician) in such a manner that its rates and Princeton's Preferred rates produce the same overall premium on ProNational's December 31, 2001 in-force book of business. For this calculation we assume that all ProNational business is written at a \$1 million/\$3 million limit of liability on a Mature Claims-Made policy.

Exhibit 1 compares the current ProNational rates, Princeton Preferred 2002 rates, and ProNational's proposed rates by specialty.

As mentioned above, ProNational's Mature Claims-Made \$1 Million/\$3 Million rates will equal 107% of Princeton's Preferred 2002 rates, on average. They will be 46.2% higher than ProNational's current Occurrence rates and 55.9% higher than ProNational's current Mature Claims-made rates.

ProNational is not filing Occurrence rates. All references in the current rating procedure that refer to a "base" policy of the Occurrence type have been rewritten to reference a Mature Claims-Made policy.

ProNational developed the proposed rates using its Model class plan. Exhibit 1 shows how the rates will change by specialty when it adopts this plan.

Expense Provisions

The following expense ratio provisions apply to New Jersey rates.

<u>Category</u>	<u>Amount</u>
Acquisition	14.7%
General Expense	6.1
Premium Taxes	2.1
Death, Disability, and Retirement	5.0
<u>Unallocated Loss Adjustment Expense</u>	<u>5.5</u>
Total Expense Ratio	33.4%

Relationship to Princeton's Rates

In setting rates ProNational recognizes the investment income earned on both the unearned premium and loss reserves. ProNational also recognizes that it must provide surplus to support the business and that the investment return on this surplus is less than the return on equity needed to write the business.

In this filing, ProNational assumes that its average Loss and Allocated Loss Adjustment expense will equal Princeton's. Under this assumption, Exhibit 2 shows the derivation of the 7% indicated rate differential between ProNational's Mature Claims-Made rates and Princeton's Occurrence rates.

This 7% differential arises from several factors:

- The ProNational expense provisions are higher than Princeton's.
- The ProNational payout pattern is shorter than Princeton's.
- The Claims-Made expense ratio is higher than Occurrence, because Claims-Made policies need to provide for the free "tail" coverage in the event of Death, Disability, or Retirement.

Step-Rating Factors

Our filed step-rating factors are shown below, along with ProNational's and Princeton's current factors.

Year	Proposed Factor	Current Factor	Princeton Factor
1 st	0.38	0.38	0.30
2 nd	0.60	0.53	0.57
3 rd	0.85	0.76	0.84
4 th	0.92	0.86	0.91
Mature	1.00	1.00	1.00

The current factors look different from those in ProNational's current manual. This is because we have rescaled the factors to use the Mature Claims-Made policy as the base, rather the current manual's use of the Claims-Made with Prepaid Tail as the base.

Extended Reporting Endorsement Rates

Extended Reporting Endorsement ("Tail") rates are calculated by multiplying the Mature Claims-Made rates by the following factors:

Year of last Claims-Made Policy	ERP Factor
1 st year	0.72
2 nd year	1.22
3 rd year	1.47
4 th year	1.65
Mature	1.75

The ProNational method for determining these factors recognizes that these factors should decrease as the Claims-Made Step rating factors increases. These factors are all lower than the current factors.

Dentists and Podiatrists

The procedure for rating Dentists remains unchanged: The current factors are applied to the new base rate (Rating Class 3, Mature Claims-Made policy).

The procedure for rating Podiatrists remains unchanged. In this proposal, ProNational renames its current Podiatrist classes 10 and class 20 as class 18 and class 19 respectively. The rating factor for class 18 equals the current class 10 factor, while the class 19 factor equals the current class 20 factor.

Because the rating factors for Dentists and Podiatrists remain unchanged, these classes will experience the same rate increase as the Class 3 Physicians.

Increased Limits Factors

ProNational will continue to use \$1,000,000/\$3,000,000 as its base limits, and is not changing the Increased Limits Factors.

Emergency Room and Urgent Care per Patient Rates

The proposed rate for Emergency Room rated on a per patient basis (code 80429) increases the same percentage as that for the Emergency Room Physician (80102) class. The proposed Urgent Care rate (code 80424) increases the same percentage as that for a Family Practice Physician (code 80420).

